

File—Serial Charge Out
FD-5 (Rev. 6-17-70)

048-16-83475-1 GPO

File _____ Class. _____ Case No. _____ Last Serial _____ Date _____

☐ Pending

☐ Closed

Serial No. _____ Description of Serial _____ Date Charged _____

1 _____ 1/24/80

2 _____ 2/7/80

3 _____ 3/8/80

Employee _____ b6
b7C

RECHARGE

Date _____

To _____ From _____

Initials of Clerk { _____

Date { _____

Date Charged _____

Employee _____

Location _____

1/11/80

SA [REDACTED]

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INTERNATIONAL SIGNAL AND CONTROL CORP.,
LANCASTER, PA.; FALSE FINANCIAL STATEMENTS
TO COMMONWEALTH NATIONAL BANK,
LANCASTER, PA., AND
AMERICAN BANK, LANCASTER, PA.
BF &E
OO: PHILADELPHIA

SAC (29-

On 1/4/80 SA [REDACTED] met with [REDACTED]
[REDACTED], AUSA, EDPA, and [REDACTED] Special Agent,
Defense Investigative Service. During the meeting, SA [REDACTED]
advised that his agency had been investigating alleged fraud
by substitution and falsification in U. S. Government contracts
by subject company.

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SA [REDACTED] provided a copy of his report which contains
results of his interviews with a former International Signal and
Control Corporation (ISCC) controller and two former ISCC
accountants. These individuals related to him that ISCC
regularly published false financial statements with inflated
accounts receivable and inventory values for the purpose of
obtaining bank loans. Their suspect accounting practices
included creating phony sales invoices and pledging the
same collateral on loans at different banks.

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AUSA [REDACTED] advised that if the allegations were
substantiated he would be interested in prosecution of the
matter because the large majority of ISCC's income is derived
from U. S. Government contracts.

It is recommended that a case be opened and assigned
in order that validity of allegations can be determined.

2-29-
[REDACTED]
[REDACTED]

29-6389-1

SEARCHED	INDEXED
SERIALIZED	FILED
JAN 11 1980	
FBI - PHILADELPHIA	

[REDACTED]

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memorandum

DATE: 1/30/80

REPLY TO
ATTN OF:

SSRA [REDACTED]

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SUBJECT:

INTERNATIONAL SIGNAL AND CONTROL CORP.,
LANCASTER, PA.; FALSE FINANCIAL STATEMENTS
TO COMMONWEALTH NATIONAL BANK,
LANCASTER, PA., AND
AMERICAN BANK, LANCASTER, PA.
BF & E (B)
(OO: PH)

TO: SAC, (29-6389)(HRA)(P)

This particular investigative matter is going to be held in abeyance until such time as the HRA has the services of an accountant who could adequately handle this investigation.

② - 29-6389 (HRA)

(2)



29-6389-2

SEARCHED	INDEXED
SERIALIZED	FILED
FEB 1 1980	
FBI-PHILADELPHIA	

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Buy U.S. Savings Bonds Regularly on the Payroll Savings Plan

Upon review of the above facts, Assistant United States Attorney [] declined to prosecute this matter. In view of Assistant United States Attorney [] decision, the FBI will not conduct further investigation of this case.

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Very truly yours,

EDGAR N. BEST
Special Agent In Charge

BY:

[]
Supervisory Senior Resident Agent

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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 5/14/80

Bruce R. Horton, 2721 Chapel Road, Lancaster, Pa., telephone 872-2394, was contacted at his residence. Horton was advised of the identity of the below listed agent and that he was to be interviewed for the purpose of clarifying statements he made in an interview with [] of the Defense Investigative Service. Muriel Horton, his wife, was present throughout the interview. Horton provided the following information:

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Horton was employed with International Signal and Control (ISC) of Lancaster from August, 1974, until March, 1978, when he was "fired". During this period, Horton reported to several different supervisors. They included [] Horton was fired by [] because he was too outspoken concerning questionable accounting practices at ISC. These questionable accounting practices occurred due to a continuing cash flow problem that ISC had throughout Horton's tenure. ISC never attained a favorable fiscal condition during this time and was forced to create quarterly financial statements in order to obtain the needed financing to survive. This motivation triggered the following fiscal practices, according to Horton:

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[] reported directly to [] [] told Horton that ISC prepared several different sets of financial statements for the purpose of satisfying creditors, shareholders, and their own use. Horton was required to assist in the preparations of these statements and for the most part, he was given the figures by [] and tabulated them in accordance with generally accepted accounting practices. When not assisting with the actual financial statements, Horton performed his normal duties as a cost accountant. Within his job area, he was also required to maintain several different sets of cost figures for each job. Most costs were adjusted downward and labor costs were moved from one job to another depending on which job was over budget and/or under budget. These

Investigation on 5/6/80 at Lancaster, Pa. File # PHILADELPHIA 29-6389(HRA)-4
by SA [] Date dictated 5/13/80

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adjustments were made at the direction of his immediate supervisor.

Horton also stated that during their annual audit by independent accounting firms, instructions were given by [] and Horton's supervisor to give the auditors a certain set of accounting records. With respect to Horton, he would simply give the auditors a specific set of job order costs. The other sets he maintained were never given to the auditors. Horton cannot say what the other accountants withheld from the auditors.

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ISC had two accounting firms during Horton's tenure, the first was Ernst and Ernst Company of Harrisburg; the second was Haskins and Sells of Philadelphia. Horton believes that Haskins and Sells performs their audits at the present time.

Horton explained that it was important for ISC to obtain a favorable opinion on their financial position by Haskins and Sells in order to get the financing needed. As a result, the auditors were kept under close scrutiny. Horton believes a change of auditors was made because he feels Ernst and Ernst (E & E) was getting "too close" to discovering what was actually occurring. Horton recalls that [] Lancaster, Pa., (telephone []) was the field supervisor for E & E.

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Horton said the following banks provided most of the financing for ISC:

Commonwealth National Bank
Harrisburg, Pa.
(Centerville Road Branch)

American Bank and Trust Company of Pennsylvania
Lancaster, Pa.

National Central Bank
Lancaster, Pa.

29-6389

Eighth Floor
Federal Office Building
600 Arch Street
Philadelphia, Pennsylvania 19106

June 10, 1980

Mr. Peter F. Vaira
United States Attorney
Eastern District of Pennsylvania
3310 United States Courthouse
Independence Mall West
601 Market Street
Philadelphia, Pennsylvania 19106

Attention: Assistant United States Attorney [redacted]

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RE: INTERNATIONAL SIGNAL AND
CONTROL CORPORATION, LANCASTER, PA.;
FALSE FINANCIAL STATEMENTS TO
COMMONWEALTH NATIONAL BANK,
LANCASTER, PA., AND AMERICAN BANK,
LANCASTER, PA.; BANK FRAUD AND
EMBEZZLEMENT

DATE 5-4-83
INITIALS mhu

Dear Mr. Vaira:

This is to confirm the conversation between Assistant
United States Attorney [redacted] of your office and Special
Agent [redacted] of the Harrisburg Resident Agency of
the FBI, concerning an investigation on International Signal
and Control Corporation (ISC).

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Assistant United States Attorney [redacted] was
advised the results of the investigation concerning ISC.
Although it appears that ISC may have violated a Federal
statute involving false statements to financial institutions,
insufficient evidence exists to adequately prove the allega-
tions. In addition, no financial loss has been suffered by
the banks involved.

- 2 - Addressee
① - Philadelphia (29-6389)(HRA)

DESTROY

6/90

29-6389-5

SEARCHED	INDEXED
SERIALIZED	FILED
JUN 11 1980	
FBI-PHILADELPHIA	

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3/4/80

SSRA [REDACTED]

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INTERNATIONAL SIGNAL AND CONTROL
CORP., LANCASTER, PA.; FALSE FINANCIAL
xx STATEMENTS TO COMMONWEALTH NATIONAL
BANK, LANCASTER, PA., AND AMERICAN BANK,
LANCASTER, PA.
BF & E (B)

TO: SAC, (29-6389)(HRA)(P)

This investigation was formerly assigned to SA
[REDACTED] who has retired. It is now being reassigned
to SA [REDACTED] who has recently been transferred to
the Harrisburg RA from Philadelphia.

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② - 29-6389 (HRA)

[REDACTED]

(2)

[REDACTED]

29-6389-3

SEARCHED	INDEXED
SERIALIZED	FILED
MAR 4 1980	
FBI-PHILADE	

[REDACTED]

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